

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
GRAND CANE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/31/11

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

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December 31, 2010

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 1
of the Parish of DeSoto
Grand Cane, Louisiana

I have audited the accompanying basic financial statements of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, a component unit of DeSoto Parish Police Jury, as of and for the year ended December 31, 2010 as listed in the table of contents. These component unit financial statements are the responsibility of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and NonProfit Organizations. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana as of December 31, 2010, and the changes in its net assets and its cash flows the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis presented on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The supplementary information on page 17 is not a required part of the financial statements, but is supplementary information required by OMB Circular A-133. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued a report dated June 18, 2011 on my consideration of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Marsha D. Mulhain

Certified Public Accountant
June 18, 2011

Waterworks District No. 1

of DeSoto Parish

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Mansfield, Louisiana 71052

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Waterworks District No. 1 of the Parish of DeSoto's annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had total assets of \$22,529,243 at year end which represents an increase from the prior year of \$3,729,871.

The District's net assets increased \$2,456,245 for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and notes to financial statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless if when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the District's net assets and changes in them. You can think of the District's Net Assets, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Assets

Net assets may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$12,547,064 as of December 31, 2010.

The District's major assets are its fixed assets of \$16,193,402 representing its investment in its water distribution system and water treatment plant. The District owed \$9,516,319 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

\$3,023,825 (24%) of the District's net assets is restricted for debt service. These funds legally must be used to pay interest and principal on the outstanding general obligation bonds.

Waterworks District No. 1 of the Parish of DeSoto Statement of Net Assets December 31,

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 2,980,321	\$ 2,917,171
Other assets	3,355,520	1,688,574
Capital Assets, net of depreciation	<u>16,193,402</u>	<u>14,193,627</u>
Total Assets	<u>22,529,243</u>	<u>18,799,372</u>
Accounts payable and accrued expenses	375,005	106,879
Bonds payable	9,516,319	8,516,049
Other liabilities	<u>90,855</u>	<u>85,605</u>
Total Liabilities	<u>9,982,179</u>	<u>8,708,533</u>
Invested in capital assets, net of related debt	6,677,083	5,677,578
Reserved for construction	57	568
Reserved for bond retirement	3,023,825	1,567,223
Reserved for customer deposits	36,897	37,869
Board Designations	181,464	-
Unrestricted	<u>2,627,738</u>	<u>2,807,601</u>
	<u>12,547,064</u>	<u>10,090,839</u>

Waterworks District No. 1 of the Parish of DeSoto
Statement of Changes in Net Assets
December 31,

	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 1,847,101	\$ 1,510,223
Operating Expenses	<u>1,396,995</u>	<u>1,237,879</u>
Operating Income	450,106	272,344
Non-operating Income/Expense	<u>2,006,139</u>	<u>1,425,992</u>
Changes in Net Assets	<u>\$ 2,456,245</u>	<u>\$ 1,698,336</u>

The District's total operating revenues increased by \$336,878 or 22% from the previous year. The total operating expense increased by \$159,116 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had \$16,193,402, net of depreciation, invested in its capital assets. This amount represents a net increase of \$1,999,775 as a result of additions of \$2,439,481 and depreciation expense of \$439,706.

Capital Assets at Year End
(Net of Depreciation)

	<u>2010</u>	<u>2009</u>
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	199,680	199,680
Water System	<u>20,035,538</u>	<u>17,596,057</u>
Total	20,240,176	17,800,695
Less: Accumulated Depreciation	<u>4,046,774</u>	<u>3,607,068</u>
Net Fixed Assets	<u>\$ 16,193,402</u>	<u>\$ 14,193,627</u>

Debt

The District had \$9,516,319 in long-term debt as follows:

	Balance 1/1/2010	Drawdowns	Payments	Balance 12/31/2010
GAO Bonds	\$ 5,025,000	\$ -	\$ 524,000	4,501,000
2001 Revenue Bonds	1,337,107	-	18,672	1,318,435
DEQ Revenue Bonds	1,724,000	-	104,000	1,620,000
2006 Revenue Bonds	429,942	-	5,058	424,884
DEQ 2010 Revenue Bonds	-	1,652,000	-	1,652,000
Balance, December 31, 2010	<u>\$ 8,516,049</u>	<u>\$ 1,652,000</u>	<u>\$ 651,730</u>	<u>\$ 9,516,319</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management of the District considers the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

Long-term debt

Cost of operations

Numbers of customers

The Water District has been fortunate to benefit from the exploration and production of the Haynesville Shale during the last year. The extra revenues have enabled us to update the water plant with "tube Settlers" and other improvements from existing revenue. We built and moved into a new combination office complex and maintenance facility during the year. During the year ended December 31, 2010, we doubled the capacity therefore allowing us to sell more water to make our financial standing even better. We have been able to keep our water rates stable and do not anticipate an increase this year.

We are fortunate to have a very good board that works together and we have staff that is one of the highest certified staffs in the state. Our employees are loyal to the District and are all dedicated to making this their life time career.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Waterworks District No. 1 of the Parish of DeSoto's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Robert Wells, 320 Liberty Lane Grand Cane, Louisiana, 71032, or by calling (318) 872-0004.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit I

Statement of Net Assets

December 31, 2010

<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 404,875
Taxes Receivable	2,415,905
Accounts Receivable (Net)	133,404
Prepaid Insurance	26,137
Total Current Assets	<u>2,980,321</u>
<u>Other Assets</u>	
Restricted Assets	
Cash	6,285
Investments	3,235,957
Deposits	800
Fixed Assets (Net)	16,193,402
Bond Issuance Costs	112,478
Total Other Assets	<u>19,548,922</u>
Total Assets	<u>\$ 22,529,243</u>
<u>Liabilities and Net Assets</u>	
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 285,697
Current Portion of Long-Term Debt	748,330
Total Current Liabilities	<u>1,034,027</u>
<u>Long-Term Liabilities</u>	
Customer Deposits Payable	90,855
Long-Term Debt, Net of Current Portion	8,767,989
Accrued Interest Payable	89,308
Total Long-Term Liabilities	<u>8,948,152</u>
Total Liabilities	<u>9,982,179</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	6,677,083
Reserved for Debt Service	3,023,825
Reserved for Construction	57
Reserved for Customer Deposits	36,897
Board Designations	181,464
Unreserved	2,627,738
Total Net Assets	<u>12,547,064</u>
Total Liabilities and Net Assets	<u>\$ 22,529,243</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit 2

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2010

Revenues:	
Ad Valorem Taxes	\$ 401,078
Charges for Services	1,384,005
Miscellaneous Revenues	<u>62,018</u>
Total Revenues	<u>1,847,101</u>
Operating Expenses:	
Personal Services	370,278
Utilities	63,397
Repair and Maintenance	190,677
Other Supplies and Expense	298,660
Insurance	25,192
Depreciation and Amortization	<u>448,791</u>
Total Expenses	<u>1,396,995</u>
Operating Income (Loss)	450,106
Non-Operating Revenues (Expenses):	
Interest Income	7,600
Forgiveness of Debt	252,448
Ad Valorem Taxes	2,101,835
Interest Expense	<u>(355,744)</u>
Total Non-Operating Revenues (Expenses)	<u>2,006,139</u>
Change in Net Assets	2,456,245
Net Assets - Beginning of Year	<u>10,090,819</u>
Net Assets - End of Year	<u>\$ 12,547,064</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit 3

Statement of Cash Flows - Proprietary Fund Type

Year Ended December 31, 2010

Cash flows from operating activities:	
Ad valorem taxes received	\$ 339,423
Cash received from customers	1,356,388
Cash payments to suppliers	(1,029,461)
Other operating income	69,618
Net cash provided by operating activities	<u>735,968</u>
Cash flows from capital and related financing activities:	
Forgiveness of Debt	252,448
Fixed Asset Purchases	(2,439,481)
Proceeds from the Sale of Fixed Assets	-
Bond Issuance Costs	(38,882)
Ad Valorem Debt Service Proceeds	1,856,959
Interest paid on long-term debt	(341,245)
Proceeds of long-term debt	1,904,448
Principal payments on long-term debt	(651,730)
Net cash provided by capital and related financing activities	<u>542,517</u>
Cash flows from investing activities:	
Investments in LAMP investments	(2,345,781)
Withdrawals from LAMP investments	713,567
Interest received on investments	(5,352)
Net cash provided by investing activities	<u>(1,637,566)</u>
Net increase in cash	(359,081)
Cash, beginning of year (including \$6,710 in restricted assets)	<u>770,241</u>
Cash, end of year (including \$6,285 in restricted assets)	411,160
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	450,106
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	439,706
Amortization	9,085
Loss on sale of assets	-
Changes in assets and liabilities:	
Increase in taxes receivable	(384,196)
Increase in accounts receivable	(36,471)
Increase in prepaid insurance	(1,139)
Increase in customer deposits	5,250
Increase in accounts payable	<u>253,627</u>
Net cash provided by operating activities	<u>\$ 735,968</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2010

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, was created by Ordinance No. 2, of the DeSoto Parish Police Jury on July 24, 1969, and as a political subdivision of the DeSoto Parish Police Jury. The ordinance states that the purpose of the District is to facilitate plans and arrangements for feasibility studies and surveys and the financing, construction, development and operation of a water works system to provide a public water supply within the proposed District. The District is a component unit of the DeSoto Parish Police Jury and is governed by a board of commissioners appointed by DeSoto Parish Police Jury.

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, is in the process of constructing a water system to assist in meeting the domestic, commercial and fire protection demands in DeSoto Parish within the boundaries of the District. Construction of this system is being funded with revenues from a 5.19 mill ad valorem tax proposition passed by voters on April 5, 1997. A 1.02 mill property tax millage authorized to be levied in the years 1997 through 2006 to subsidize operation and maintenance expenses of the system was also passed April 5, 1997.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Waterworks District No. 1 of the Parish of DeSoto have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, issued in June, 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting: The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments: Investments are stated at cost which approximates market.

Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts: Taxes receivable are deemed to be fully collectible. An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.

2. CASH:

At December 31, 2010, the carrying amount of the District's cash balances totaled \$411,160, whereas the related bank balances totaled \$413,437. The difference is due to outstanding checks at year end. Bank balances of \$250,664 were insured by FDIC insurance and bank balances of \$162,773 were collateralized by securities held by the bank in the name of the District.

3. PER DIEM PAID TO COMMISSIONERS:

No per diem was paid to commissioners for the year ended December 31, 2010.

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2010

4. TAXES RECEIVABLE:

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. For the year ended December 31, 2010, taxes of 6.20 mills were levied with 5.19 mills dedicated to bond retirement and .99 mills dedicated for general operating purposes. Taxes receivable at December 31, 2010, are considered to be fully collectible.

5. INVESTMENTS:

Investments consist of funds invested in the Louisiana Asset Management Pool (LAMP). LAMP was established and administered by LAMP, Inc., a nonprofit corporation organized under the law of the State of Louisiana. LAMP accepts deposits from public entities. Upon the making of an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and maintains certain rights with respect to the governance of the corporation.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality vehicles for investment. The LAMP portfolio includes only securities and obligations in which local governments in Louisiana are authorized to invest. LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, U.S. government, or one of its agencies. The dollar weighted average portfolio of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants access to their balances.

At December 31, 2010, restricted funds on deposit with LAMP (at cost) totaled \$3,235,957.

6. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31 2010, totaled \$135,159 less an allowance for doubtful accounts of \$1,755.

7. FIXED ASSETS:

A summary of fixed assets follows:

Office Furniture	\$	4,958
Machinery & Equipment		199,680
Water System		20,035,538
		<hr/> 20,240,176
Less: Accumulated Depreciation		4,046,774
		<hr/>
Net fixed assets	\$	<u>16,193,402</u>

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2010

8. LONG-TERM DEBT:

The following is a summary of debt transactions of Waterworks District No. 1 of the Parish of DeSoto for the year ended December 31, 2010:

	Balance 1/1/2010	Debt Proceeds	Principal Payments	Total
GAO Bonds	\$ 5,025,000	\$ -	\$ 524,000	\$ 4,501,000
2001 Revenue Bonds	1,337,107	-	18,672	1,318,435
DEQ Revenue Bonds	1,724,000	-	104,000	1,620,000
2006 Revenue Bonds	429,942	-	5,058	424,884
2010 Revenue Bonds	-	1,652,000	-	1,652,000
Balance, 12/31/2010	<u>\$ 8,516,049</u>	<u>\$ 1,652,000</u>	<u>\$ 651,730</u>	<u>\$ 9,516,319</u>

Bonds and notes payable at December 31, 2010, are comprised of the following:

General Obligation Bonds:

\$9,900,000 bonds dated October 1, 1997, for the purpose of constructing a waterworks system with the first principal payment of \$100,000 due on April 1, 1998; principal payments thereafter ranging from \$265,000 to \$480,000; interest payments are due on April 1, and October 1, annually with interest rates varying from 8% to 4.5% over the life of the bond issue.

\$ 4,501,000

Water Revenue Bonds - 2001:

Dated August 7, 2001, due in one installment of \$68,875 on August 7, 2002, and monthly payments of \$6,815 from September 7, 2002 to August 7, 2041, bearing interest at 4.75%.

\$ 1,318,435

Water Revenue Bonds - 2001 DEQ:

Dated February 19, 2002, first principal payment of \$79,000 due on August 7, 2003, principal payments thereafter ranging from \$83,000 to \$166,000; interest payments are due in February and August, annually, bearing interest at 3.45%.

\$ 1,620,000

Water Revenue Bonds - 2006:

Draws on \$442,000 2006 Water Revenue Bonds, due in monthly payments of \$1,926 beginning June 7, 2006, through May, 2046, bearing interest at 4.25%.

\$ 424,884

Water Revenue Bonds - 2010:

Draws on \$1,652,000 2010 Water Revenue Bonds, first principal payment of \$65,000 due on August 7, 2011, principal payments thereafter ranging from \$67,000 to \$103,000; interest payments are due in February and August annually bearing interest at 2.95%.

\$ 1,652,000

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2010

The annual requirements to amortize all debt outstanding as of December 31, 2010, including interest payments of \$3,435,838 are as follows:

<u>Year Ending December 31</u>	<u>Total</u>
2011	\$ 1,101,900
2012	1,105,810
2013	1,112,408
2014	1,119,590
2015	1,128,227
2016 - 2022	7,384,221
Totals	<u>\$ 12,952,156</u>

9. RESTRICTED ASSETS:

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 36,897
Construction	57
Board Designations	181,464
Debt Service:	
General Obligation Bonds	2,660,872
Water Revenue Bond - 2001	51,273
Water Revenue Bond - 2001 DEQ	286,171
Water Revenue Bond - 2006	25,509
Total	<u>\$ 3,242,243</u>

10. RETIREMENT PLAN:

The District is a member of the Parochial Employees Retirement System. Under this system, eligible employees contribute 9.5% of their wages and the District contributes 15.75% of eligible wages. District contributions under this plan for the year ended December 31, 2010 were \$35,523 based on eligible salaries of \$225,541.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2010

There were no findings for the year ended December 31, 2009.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Commissioners
Waterworks District No. 1
of the Parish of DeSoto
Grand Cane, Louisiana

I have audited the component unit financial statements of Waterworks District No. 1 of the Parish of DeSoto as of and for the year ended December 31, 2010, and have issued my report thereon dated June 18, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of the Parish of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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FAX: (318) 221-4641

This report is intended solely for the information and use of management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Marsha D. Mellican

Certified Public Accountant
June 18 2011

Waterworks District No. 1 of the Parish of DeSoto

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2010

<u>FEDERAL GRANTOR/ PROGRAM TITLE *</u>	<u>CFDA NUMBER</u>	<u>AWARD AMOUNT</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
<u>Environmental Protection Agency</u>			
Drinking Water Revolving Loan Fund	66.468	\$1,652,000	\$ 1,652,000
Drinking Water Revolving Loan Fund	66.468	<u>708,000</u>	<u>252,448</u>
Total		<u>\$2,360,000</u>	<u>\$ 1,904,448</u>

* Denotes Major Program



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Waterworks District No. 1
of the Parish of DeSoto
Grand Cane, Louisiana

Compliance

I have audited the compliance of Waterworks District No. 1 of the Parish of DeSoto with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. Waterworks District No. 1 of the Parish of DeSoto's major federal program is identified in the *summary of auditor's results section of the accompanying schedule of findings and questioned costs*. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Waterworks District No. 1 of the Parish of DeSoto complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

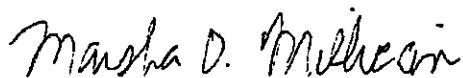
The management of Waterworks District No. 1 of the Parish of DeSoto Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Board of Commissioners and applicable federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant
June 18, 2011

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2010

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies in internal accounting control were disclosed during the audit were reported.
3. No instances of noncompliance material to the financial statements of the District was disclosed during the audit.
4. The auditor's report on compliance for the major federal award program expresses an unqualified opinion on all major federal programs.
5. The program tested as a major program:

 Drinking Water Revolving Loan Fund
6. The threshold for distinguishing Type A and Type B programs was \$300,000.
7. Waterworks District No. 1 of the Parish of DeSoto was not determined to be a low risk auditee.

There were no findings for the year ended December 31, 2010.